

**REPORT OF THE AUDIT OF THE  
BATH COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2011**



**ADAM H. EDELEN  
AUDITOR OF PUBLIC ACCOUNTS  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE BATH COUNTY FISCAL COURT**

**June 30, 2011**

The Auditor of Public Accounts has completed the audit of the Bath County Fiscal Court for fiscal year ended June 30, 2011.

We have issued unqualified opinions on the governmental activities, each major fund, and aggregate remaining fund information of Bath County, Kentucky.

#### **Financial Condition:**

The fiscal court had total net assets of \$3,701,130 as of June 30, 2011. The fiscal court had unrestricted net assets of \$271,637 in its governmental activities as of June 30, 2011, with total liabilities of \$486,348.

#### **Report Comment:**

2011-01 Internal Controls Should Be Improved Over Transfer Station Receipts

#### **Deposits:**

The fiscal court's deposits were insured and collateralized by bank securities.



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**ADAM H. EDELEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Lori H. Flanery, Secretary  
Finance and Administration Cabinet  
Honorable Lowell Jamison, Bath County Judge/Executive  
Members of the Bath County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bath County, Kentucky, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Bath County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Bath County, Kentucky, prepares its financial statements in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Bath County, Kentucky, as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The county has implemented Governmental Accounting Standards Board Statement 54 as it relates to the modified cash basis of accounting as described in Note 1, which has altered the format and content of the basic financial statements.



To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Lori H. Flanery, Secretary  
Finance and Administration Cabinet  
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Members of the Bath County Fiscal Court

The county has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the budgetary comparison information. However, we did not audit it and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bath County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated December 19, 2011 on our consideration of Bath County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the accompanying comment and recommendation included herein, which discusses the following report comment:

2011-01 Internal Controls Should Be Improved Over Transfer Station Receipts

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Adam H. Edelen', written in a cursive style.

Adam H. Edelen  
Auditor of Public Accounts

December 19, 2011



BATH COUNTY OFFICIALS

For The Year Ended June 30, 2011

**Fiscal Court Members:**

Lowell Jamison	County Judge/Executive
Jimmy Cline	Commissioner
Ray Toy	Commissioner
Millard Pettit III	Commissioner

**Other Elected Officials:**

Leslie Richardson Smith	County Attorney
Palmer Crouch	Jailer
Carolyn Rogers	County Clerk
Claudette Faudere	Circuit Court Clerk
John "Tuffy" Snedegar	Sheriff
Kathy Tapp	Property Valuation Administrator
Robert Powell	Coroner

**Appointed Personnel:**

Doug Copher	County Treasurer
Ricky Faudere	911 Administrator

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**BATH COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2011**



**BATH COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2011**

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 374,378
Total Current Assets	<u>374,378</u>
Noncurrent Assets:	
Land	8,493
Capital Assets - Net of Accumulated	
Depreciation	
Land Improvements	408,779
Buildings	1,346,018
Equipment	255,513
Vehicles	70,279
Infrastructure	1,724,018
Total Noncurrent Assets	<u>3,813,100</u>
Total Assets	<u>4,187,478</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Financing Obligations	27,470
Total Current Liabilities	<u>27,470</u>
Noncurrent Liabilities:	
Financing Obligations	458,878
Total Noncurrent Liabilities	<u>458,878</u>
Total Liabilities	<u>486,348</u>
<b>NET ASSETS</b>	
Invested in Capital Assets,	
Net of Related Debt	3,326,752
Restricted For:	
Roads/Bus Services	102,741
Unrestricted	271,637
Total Net Assets	<u>\$ 3,701,130</u>

The accompanying notes are an integral part of the financial statements.

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**BATH COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2011**

**BATH COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2011**

		Program Revenues Received		
Functions/Programs Reporting Entity	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 1,197,734	\$	\$ 164,985	\$
Protection to Persons and Property	713,601		108,115	
General Health and Sanitation	156,222	51,823	39,915	
Social Services	5,100			
Recreation and Culture	38,413			
Transportation Facilities and Services	28,565			
Roads	896,740		1,413,241	
Road Facilities	13,642			213,726
Interest on Long-term Debt	24,201			
Capital Projects	80,387			
Total Governmental Activities	3,154,605	51,823	1,726,256	213,726

**General Revenues:**

Taxes:

Real Property Taxes

Personal Property Taxes

Motor Vehicle Taxes

Occupational Taxes

Other Taxes

Excess Fees

Unrestricted Investment Earnings

Miscellaneous Revenues

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.



**BATH COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2011**  
**(Continued)**

<b>Net (Expenses) Revenues and Changes in Net Assets</b>	
<b>Primary Government</b>	
<b>Governmental Activities</b>	
\$	(1,032,749)
	(605,486)
	(64,484)
	(5,100)
	(38,413)
	(28,565)
	516,501
	200,084
	(24,201)
	(80,387)
	(1,162,800)
	273,175
	13,498
	73,225
	489,669
	407,201
	43,137
	838
	235,475
	1,536,218
	373,418
	3,327,712
\$	3,701,130

The accompanying notes are an integral part of the financial statements.

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**BATH COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2011**



**BATH COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2011**

	<b>General Fund</b>	<b>Road Fund</b>	<b>Non- Major Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 130,967	\$ 239,354	\$ 5,952	\$ 376,273
Total Assets	<u>130,967</u>	<u>239,354</u>	<u>5,952</u>	<u>376,273</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Cash Shortages			1,895	1,895
Total Liabilities			<u>1,895</u>	<u>1,895</u>
<b>FUND BALANCES</b>				
<b>Restricted For:</b>				
Roads/Bus Services		96,789	5,952	102,741
<b>Assigned To:</b>				
Protection to Persons and Property	686			686
General Health and Sanitation	5,121			5,121
Roads		142,565		142,565
<b>Unassigned</b>	<u>125,160</u>		<u>(1,895)</u>	<u>123,265</u>
Total Fund Balances	<u>\$ 130,967</u>	<u>\$ 239,354</u>	<u>\$ 4,057</u>	<u>\$ 374,378</u>
Total Liabilities and Fund Balances	<u>\$ 130,967</u>	<u>\$ 239,354</u>	<u>\$ 5,952</u>	<u>\$ 376,273</u>

**Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets:**

Total Fund Balances	\$ 374,378
Amounts Reported For Governmental Activities In The Statement Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources And Therefore Are Not Reported in the Funds.	5,396,834
Accumulated Depreciation	(1,583,734)
Long-term debt is not due and payable in the current period and, therefore, is not reported in the funds.	
Financing Obligations	<u>(486,348)</u>
Net Assets Of Governmental Activities	<u>\$ 3,701,130</u>

The accompanying notes are an integral part of the financial statements.

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**BATH COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2011**





**BATH COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2011**

	<u>General Fund</u>	<u>Road Fund</u>	<u>Non- Major Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Taxes	\$ 980,833	\$	\$ 132,157	\$ 1,112,990
In Lieu Tax Payments	8,851	55,096		63,947
Excess Fees	43,137			43,137
Licenses and Permits	87,409			87,409
Intergovernmental	313,013	1,261,570	149,750	1,724,333
Charges for Services		259,891		259,891
Miscellaneous	166,462	68,269	747	235,478
Interest	332	481	25	838
Total Revenues	<u>1,600,037</u>	<u>1,645,307</u>	<u>282,679</u>	<u>3,528,023</u>
<b>EXPENDITURES</b>				
General Government	392,303			392,303
Protection to Persons and Property	477,984		218,825	696,809
General Health and Sanitation	149,089	4,923		154,012
Social Services	5,100			5,100
Recreation and Culture	15,797			15,797
Transportation Facilities and Services		28,565		28,565
Roads		1,298,679	33,613	1,332,292
Bus Services			13,642	13,642
Debt Service	30,688	6,679	12,282	49,649
Capital Projects	80,387			80,387
Administration	514,100	227,440	25,933	767,473
Total Expenditures	<u>1,665,448</u>	<u>1,566,286</u>	<u>304,295</u>	<u>3,536,029</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(65,411)</u>	<u>79,021</u>	<u>(21,616)</u>	<u>(8,006)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(15,200)		(4,000)	(19,200)
Transfers In	4,000		15,200	19,200
Total Other Financing Sources (Uses)	<u>(11,200)</u>		<u>11,200</u>	
Net Change in Fund Balances	(76,611)	79,021	(10,416)	(8,006)
Fund Balances - Beginning	207,578	160,333	14,473	382,384
Fund Balances - Ending	<u>\$ 130,967</u>	<u>\$ 239,354</u>	<u>\$ 4,057</u>	<u>\$ 374,378</u>

The accompanying notes are an integral part of the financial statements.

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**BATH COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2011**



**BATH COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2011**

**Reconciliation to the Statement of Activities:**

Net Change in Fund Balances - Total Governmental Funds	\$ (8,006)
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Amounts Reported for Governmental Activities in the Statement of Activities Are Different Because Governmental Funds Report Capital Outlays as Expenditures. However, in the Statement of Activities, the Cost of Those Assets Are Allocated Over Their Estimated Useful Lives and Reported as Depreciation Expense.

Capital Outlay	636,036
Depreciation Expense	(268,871)
Disposal of Capital Assets, net	(11,189)

Lease and Bond Principal Payments Are Expensed in the Governmental Funds as a use of Current Financial Resources.

Financing Obligations Principal Amount	25,448
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Change in Net Assets of Governmental Activities	\$ 373,418
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**INDEX FOR NOTES  
TO THE FINANCIAL STATEMENTS**

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**BATH COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2011**

**Note 1. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

**B. Reporting Entity**

The financial statements of Bath County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented. The county has no blended or discretely presented component units.

**C. Bath County Elected Officials**

Kentucky law provides for election of the officials below from the geographic area constituting Bath County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Bath County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

**BATH COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the financial statements.



**BATH COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

**Governmental Funds**

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function. In compliance with GASB 54, the Jail Fund, Waste Management Fund, Occupational Tax Fund, and Building Commission Fund previously reported will now be combined and presented in the General Fund.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

The primary government also has the following non-major funds: Local Government Economic Assistance Fund and 911 Fund.

**Special Revenue Funds:**

The Road Fund, Local Government Economic Assistance Fund, and 911 Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of significant restricted and/or committed revenue sources and expenditures that are legally restricted or committed for specific purposes.

**E. Deposits and Investments**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

**F. Capital Assets**

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

**BATH COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**F. Capital Assets (Continued)**

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Machinery and Equipment	\$ 2,500	3-25
Vehicles	\$ 2,500	5-10
Infrastructure	\$ 20,000	5-10

**G. Long-term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

**H. Fund Equity**

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into non-spendable and spendable components, if applicable.

Non-spendable includes amounts that must be maintained intact legally or contractually.

Spendable include the following:

- Restricted-amounts constrained for a specific purpose by external parties, constitutional provisions, or enabling legislation.
- Committed-amounts constrained for a specific purpose by the county using its highest level of decision making authority.
- Assigned-for all governmental funds, other than general fund, any remaining positive amounts not classified as non-spendable, restricted, or committed. For the general fund, amounts constrained by intent to be used for a specified purpose by the County or the delegated county committee or official given authority to assign amounts.
- Unassigned-for the general fund, amounts not classified as non-spendable, restricted, committed or assigned. For all other governmental funds, amount expended in excess of resources that are non-spendable, restricted, committed or assigned.

**BATH COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**H. Fund Equity (Continued)**

For resources considered committed, the county issues an ordinance or resolution that can only be changed with another corresponding ordinance or resolution.

For resources considered assigned, the county has designated the County Judge/Executive to carry out the intent of the fiscal court.

It is the policy of the County to spend restricted resources first, when both restricted and unrestricted resources are available to spend on the activity. Once restricted resources are exhausted, then committed, assigned and unassigned resources will be spent in that order on the activity.

Encumbrances, although not reported on the balance sheet, are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Due to the modified cash basis of accounting, encumbrances can also include invoices for goods or services received at June 30, but not yet paid and not included as an accounts payable. Significant encumbrances at year end are reported by major funds and non-major funds in the aggregate and included with the commitments and contingencies note disclosure, if applicable.

**I. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**J. Joint Ventures**

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based upon these criteria, the following are considered joint ventures of the Bath County Fiscal Court and the City of Owingsville: Owingsville/Bath County Recreation, Tourism and Convention Commission, and Owingsville/Bath County Industrial Development Authority.

**BATH COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 2. Deposits**

The primary government maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(D).. According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240 (4). As of June 30, 2011, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

**BATH COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 3. Capital Assets**

Capital asset activity for the year ended June 30, 2011 was as follows:

	Reporting Entity			
	Beginning Balance (Restated)	Increases	Decreases	Ending Balance
<b>Primary Government:</b>				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 8,493		\$	\$ 8,493
Total Capital Assets Not Being Depreciated	8,493			8,493
Capital Assets, Being Depreciated:				
Land Improvements	488,200			488,200
Buildings	1,833,256			1,833,256
Equipment	520,179		(44,460)	475,719
Vehicles	233,885		(18,700)	215,185
Infrastructure	1,739,945	636,036		2,375,981
Total Capital Assets Being Depreciated	4,815,465	636,036	(63,160)	5,388,341
Less Accumulated Depreciation For:				
Land Improvements	(56,805)	(22,616)		(79,421)
Buildings	(464,445)	(22,793)		(487,238)
Equipment	(226,239)	(31,758)	37,791	(220,206)
Vehicles	(144,664)	(14,422)	14,180	(144,906)
Infrastructure	(474,681)	(177,282)		(651,963)
Total Accumulated Depreciation	(1,366,834)	(268,871)	51,971	(1,583,734)
Total Capital Assets, Being Depreciated, Net	3,448,631	367,165	(11,189)	3,804,607
Governmental Activities Capital Assets, Net	\$ 3,457,124	\$ 367,165	\$ (11,189)	\$ 3,813,100

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 26,769
Protection to Persons and Property	16,792
General Health and Sanitation	2,210
Recreation and Culture	22,616
Roads, Including Depreciation of General Infrastructure Assets	200,484
Total Depreciation Expense - Governmental Activities	<u>\$ 268,871</u>

**BATH COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 4. Long-term Debt**

**A. Financing Obligation – Emergency Response Equipment**

On March 31, 2004, the Bath County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program to purchase emergency response equipment. The agreement requires 120 monthly payments at a variable interest rate to be paid in full on April 20, 2014. As of June 30, 2011, the principal outstanding was \$33,067. Future lease principal and interest requirements are:

Fiscal Year Ended June 30,	Governmental Activities	
	Principal	Interest and Fees
2012	11,153	1,236
2013	11,710	755
2014	10,204	244
Totals	<u>\$ 33,067</u>	<u>\$ 2,235</u>

**B. Financing Obligation – Backhoe**

On October 6, 2008, the Bath County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program to purchase a backhoe in the amount of \$51,291. The agreement requires 99 monthly payments at a variable interest rate to be paid in full on January 20, 2017. As of June 30, 2011, the principal outstanding was \$36,291. Future lease principal and interest requirements are:

Fiscal Year Ended June 30,	Governmental Activities	
	Principal	Interest and Fees
2012	6,000	1,502
2013	6,000	1,272
2014	6,000	1,045
2015	6,000	819
2016	6,000	592
2017	6,291	268
Totals	<u>\$ 36,291</u>	<u>\$ 5,498</u>

**BATH COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 4. Long-Term Debt (Continued)**

**C. Financing Obligation – Ballpark Project**

On February 20, 2010, the Bath County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties Leasing Trust Program to pay for improvements to the ballpark in the amount of \$444,000. The agreement requires 300 monthly payments at a variable interest rate to be paid in full on February 20, 2034. As of June 30, 2011, the principal outstanding was \$416,990. Future lease principal and interest requirements are:

<u>Fiscal Year Ended</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2012	10,317	17,710
2013	10,832	17,258
2014	11,373	16,793
2015	11,941	16,296
2016	12,538	15,799
2017-2021	72,736	70,319
2022-2026	92,813	53,056
2027-2031	118,432	31,026
2032-2034	<u>76,008</u>	<u>5,507</u>
Totals	<u>\$ 416,990</u>	<u>\$ 243,764</u>

**BATH COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 4. Long-term Debt (Continued)**

**D. Changes in Long-term Liabilities**

Long-term liability activity for the year ended June 30, 2011, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Primary Government:</b>					
<u>Governmental Activities:</u>					
Financing Obligations	511,796		25,448	486,348	27,470
Governmental Activities					
Long-term Liabilities	\$ 511,796	\$ 0	\$ 25,448	\$ 486,348	\$ 27,470

**Note 5. Employee Retirement System**

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.93 percent.

The county's contribution for FY 2009 was \$168,424, FY 2010 was \$163,565, and FY 2011 was \$176,877 and were equal to the required contributions for each year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

CERS also provides post retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Years of Service	% paid by Insurance Fund	% Paid by Member through Payroll Deduction
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

**Note 5. Employee Retirement System (Continued)**



**BATH COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

**Note 6. Deferred Compensation**

The Bath County Fiscal Court has elected to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 105 Sea Hero Road, Suite 1, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

**Note 7. Insurance**

For the fiscal year ended June 30, 2011, Bath County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**Note 8. Prior Period Adjustment**

Net assets of the governmental activities as previously reported have been restated and increased by \$360 for General Fund voided checks, \$182 for Road Fund voided checks, \$526 for Jail Fund voided checks, and \$610 for 911 Fund voided checks.

The beginning balance for capital assets land improvements was increased \$440,000, beginning balance vehicles was increased \$25,850, accumulated depreciation land improvement was increased by \$22,000, and accumulated depreciation vehicles was increased by \$4,395 due to the unintentional omission of two assets in the previous year.

**BATH COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**  
**(Continued)**

**Note 8. Prior Period Adjustment (Continued)**

The beginning balance of debt outstanding was increased by \$1,336 for emergency response equipment and the ballpark project.

The net effect of these adjustments restates the beginning net asset for governmental activities to \$3,327,712.

**Note 9. Change In Accounting Principle**

The county implemented a new accounting standard, Governmental Accounting Standards Board (GASB) Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions which has altered the classifications of fund balance on the Balance Sheet-Governmental Funds. Additionally, certain funds previously reported as special revenue funds that no longer meet the definition as stated in GASB statement 54 have now been included in the general fund. See Note 1.D. The implementation did not cause a restatement to total fund balance or beginning net assets.

**BATH COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2011**



**BATH COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**

**For The Year Ended June 30, 2011**

	<b>GENERAL FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts, (Budgetary Basis)</b>	<b>Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Taxes	\$ 397,000	\$ 397,000	\$ 433,026	\$ 36,026
In Lieu Tax Payments	21,000	21,000	8,851	(12,149)
Excess Fees	26,108	26,108	43,137	17,029
Licenses and Permits	69,000	69,000	71,920	2,920
Intergovernmental Revenue	117,846	119,802	114,371	(5,431)
Miscellaneous	25,100	138,693	166,353	27,660
Interest	500	500	172	(328)
Total Revenues	<u>656,554</u>	<u>772,103</u>	<u>837,830</u>	<u>65,727</u>
<b>EXPENDITURES</b>				
General Government	370,814	421,241	392,303	28,938
Protection to Persons and Property	50,528	78,049	71,031	7,018
General Health and Sanitation	73,809	95,706	80,355	15,351
Social Services	6,000	6,000	5,100	900
Recreation and Culture	17,000	27,794	15,797	11,997
Debt Service	30,515	30,688	30,688	
Administration	446,852	477,683	383,230	94,453
Total Expenditures	<u>995,518</u>	<u>1,137,161</u>	<u>978,504</u>	<u>158,657</u>
Excess of Revenues Over Expenditures Before Other Financing Uses	<u>(338,964)</u>	<u>(365,058)</u>	<u>(140,674)</u>	<u>224,384</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers From Other Funds	<u>218,964</u>	<u>218,964</u>	<u>72,000</u>	<u>(146,964)</u>
Total Other Financing Sources	<u>218,964</u>	<u>218,964</u>	<u>72,000</u>	<u>(146,964)</u>
Net Changes in Fund Balance	(120,000)	(146,094)	(68,674)	77,420
Fund Balance - Beginning	<u>120,000</u>	<u>183,950</u>	<u>184,310</u>	<u>360</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 37,856</u>	<u>\$ 115,636</u>	<u>\$ 77,780</u>

**BATH COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2011**  
**(Continued)**

	<b>ROAD FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
In Lieu Tax Payments	\$ 76,200	\$ 76,200	\$ 55,096	\$ (21,104)
Intergovernmental Revenue	1,155,007	1,376,335	1,261,570	(114,765)
Charges for Services		259,891	259,891	
Miscellaneous	10,500	55,950	68,269	12,319
Interest	500	500	481	(19)
Total Revenues	<u>1,242,207</u>	<u>1,768,876</u>	<u>1,645,307</u>	<u>(123,569)</u>
<b>EXPENDITURES</b>				
General Health and Sanitation		4,923	4,923	
Transportation Facilities and Services		28,656	28,565	91
Roads	808,000	1,354,874	1,298,679	56,195
Debt Service	6,704	6,704	6,679	25
Administration	330,039	379,406	227,440	151,966
Total Expenditures	<u>1,144,743</u>	<u>1,774,563</u>	<u>1,566,286</u>	<u>208,277</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>97,464</u>	<u>(5,687)</u>	<u>79,021</u>	<u>84,708</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers To Other Funds	(177,464)	(177,464)		177,464
	<u>(177,464)</u>	<u>(177,464)</u>		<u>177,464</u>
Net Changes in Fund Balance	(80,000)	(183,151)	79,021	262,172
Fund Balance - Beginning	<u>80,000</u>	<u>160,151</u>	<u>160,333</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (23,000)</u>	<u>\$ 239,354</u>	<u>\$ 262,172</u>

**BATH COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2011**

**Note 1. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**Note 2. Reconciliation of the General Fund**

Due to the implementation of GASB Statement No. 54, the Statement of Revenues, Expenditures, and Changes in Fund Balance differs from the Budgetary Comparison Schedule for the General Fund. The Statement of Revenues, Expenditures, and Changes in Fund Balance includes the activity for the General Fund, Jail Fund, Waste Management Fund, Occupational Tax Fund, and the Building Commission Fund all together. Total revenue differs by \$762,207, total expenditures by \$686,944, total other financing sources (uses) by \$(83,200), beginning fund balance by \$23,268, and ending fund balance by \$15,331.

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**BATH COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**June 30, 2011**



**BATH COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**June 30, 2011**

	<b>LGEA Fund</b>	<b>911 Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 5,952		\$ 5,952
Total Assets	<u>5,952</u>		<u>5,952</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Cash Shortage		1,895	1,895
Total Liabilities		<u>1,895</u>	<u>1,895</u>
<b>FUND BALANCES</b>			
Restricted For:			
Roads/Bus Services	5,952		5,952
Unassigned		(1,895)	(1,895)
Total Fund Balances	\$ 5,952	\$ (1,895)	\$ 4,057
Total Liabilities and Fund Balances	<u>\$ 5,952</u>	<u>\$ 0</u>	<u>\$ 5,952</u>

The accompanying notes are an integral part of the financial statements.

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**BATH COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2011**



**BATH COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**For The Year Ended June 30, 2011**

	<b>LGEA Fund</b>	<b>911 Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>REVENUES</b>			
Taxes	\$	\$ 132,157	\$ 132,157
Intergovernmental	50,410	99,340	149,750
Miscellaneous		747	747
Interest	16	9	25
Total Revenues	<u>50,426</u>	<u>232,253</u>	<u>282,679</u>
<b>EXPENDITURES</b>			
Protection to Persons and Property		218,825	218,825
Roads	33,613		33,613
Bus Services	13,642		13,642
Debt Service		12,282	12,282
Administration		25,933	25,933
Total Expenditures	<u>47,255</u>	<u>257,040</u>	<u>304,295</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>3,171</u>	<u>(24,787)</u>	<u>(21,616)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers Out	(4,000)		(4,000)
Transfers In	4,000	11,200	15,200
Total Other Financing Sources (Uses)	<u></u>	<u>11,200</u>	<u>11,200</u>
Net Change in Fund Balances	3,171	(13,587)	(10,416)
Fund Balances - Beginning	2,781	11,692	14,473
Fund Balances - Ending	<u>\$ 5,952</u>	<u>\$ (1,895)</u>	<u>\$ 4,057</u>

The accompanying notes are an integral part of the financial statements.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**





**ADAM H. EDELEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Lowell Jamison, Bath County Judge/Executive  
Members of the Bath County Fiscal Court

**Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of Financial Statements  
Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bath County, Kentucky, as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated December 19, 2011. Bath County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of Bath County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Bath County Fiscal Court's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bath County Fiscal Court's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Bath County Fiscal Court's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying comment and recommendation, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying comment and recommendation as item 2011-01 to be a material weakness.



Report On Internal Control Over Financial Reporting  
And On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Bath County's financial statements as of and for the year ended June 30, 2011, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The Bath County Judge/Executive's response to the finding identified in our audit is included in the comment and recommendation. We did not audit the County Judge/Executive's responses and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, others within the entity, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Adam H. Edelen', with a stylized flourish at the end.

Adam H. Edelen  
Auditor of Public Accounts

December 19, 2011

**BATH COUNTY  
COMMENT AND RECOMMENDATION**

**For The Year Ended June 30, 2011**



**BATH COUNTY  
COMMENT AND RECOMMENDATION**

**Fiscal Year Ended June 30, 2011**

INTERNAL CONTROL – MATERIAL WEAKNESS

2011-01 Internal Controls Should Be Improved Over Transfer Station Receipts

The county collects trash at the transfer station and charges customers based on fees approved by the fiscal court. Employees of the transfer station collect this money and issue receipts. However, the receipts are not detailed as to what they collected the money for. The money collected is placed in an unsecure location during the daytime hours and is turned over to the Treasurer's office the following day. After a week of collections, the money turned over to the Treasurer's office is deposited.

Due to the high volume of cash transactions, the transfer station is extremely susceptible to theft or fraud. To offset some of these risks, we recommend the County implement the following procedures:

- Money collected should be placed in a secure cash drawer.
- Receipts should be more detailed to show what the collection is for (ex. Bags, truck load, shingles/roofing, etc.).
- A daily checkout sheet should be completed which details what was collected as well as the numerical sequence of receipts.
- The Treasurer should deposit transfer station receipts daily.
- The Treasurer's office should review the log maintained at the transfer station on a periodic basis to determine that amounts turned over agree to the amount recorded.

*County Judge/Executive Lowell Jamison's Response: A secure cash drawer in which to place money collected has been purchased. In an effort to maintain detailed records at the transfer station, the following shall be implemented:*

- (1) A receipt book with triplicate receipts numbered sequentially shall be used for all collections with one tear out receipt for the customer, one tear out receipt for the Treasurer's record and one receipt shall remain in the receipt book. The receipt book will be a log of all collections.*
- (2) The receipt shall detail the type of debris (bag, truck load, shingles/roofing, etc.)*

*Monies and copies of receipts for Treasurer will be picked up at 2:00PM daily and brought to Treasurer's office (leaving \$50.00 at transfer station for next day's start up).*

*The Treasurer shall deposit transfer station receipts daily.*

*The Treasurer's office shall review receipt log on a monthly basis to determine all amounts agree.*

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**CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

**BATH COUNTY FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2011**



**CERTIFICATION OF COMPLIANCE**  
**LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**  
**BATH COUNTY FISCAL COURT**

**For The Fiscal Year Ended June 30, 2011**

The Bath County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

  
\_\_\_\_\_  
Lowell Jamison  
County Judge/Executive

  
\_\_\_\_\_  
Doug Zopher  
County Treasurer

